

The President's Daily Brief

12 February 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

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PRINCIPAL DEVELOPMENTS

Major money markets are closed while key powers are attempting to organize a conference to deal with the monetary crisis. Any adjustment of exchange rates will include appreciation of the mark and the yen relative to the US dollar. (Page 1)

Some of the 300 North Vietnamese tanks and armored vehicles that started into the infiltration system last fall are crossing into South Vietnam and Cambodia. The military situation in South Vietnam is virtually unchanged. (Page 2)

There is still sharp fighting at a number of locations in southern Laos. (Page 3)

In the MBFR talks, the Soviets appear to be angling toward discussion of their forces in Hungary in return for discussion of US forces in Italy, and perhaps Spain. (Page 4)

Uruguay's President Bordaberry appears on the verge of resigning. (Page 5)

President Sadat's security adviser has returned to Egypt from Moscow. (Page 6)

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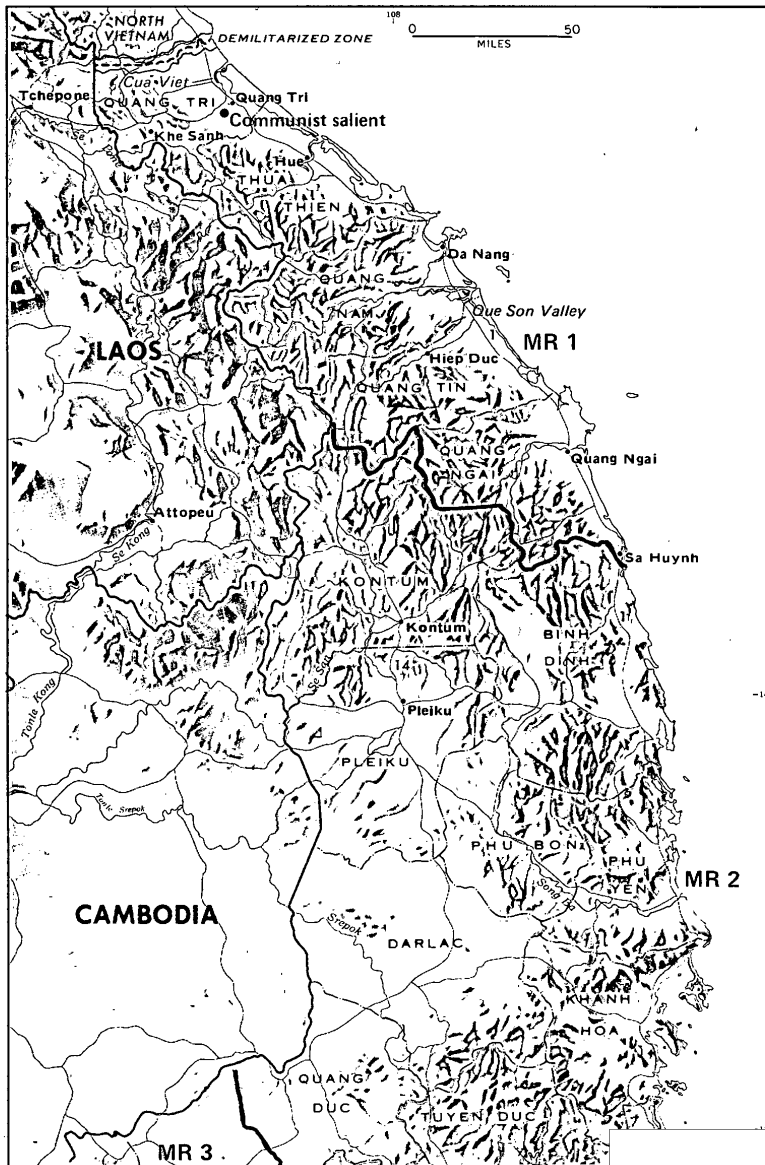
INTERNATIONAL MONETARY DEVELOPMENTS

The major powers are attempting to organize a high-level international conference to deal with the monetary crisis. Several discussions have already been held or are in process. There is still no official word on the results of the meeting Friday night of the British, French, and German finance ministers in Paris, but all three nations and Japan announced yesterday that their currency markets would not reopen after the weekend. Elsewhere, central bankers are meeting in Basel, and a special Japanese envoy is in Bonn for urgent talks. West Germany, which bore the brunt of this round of currency speculation, was the last major nation to announce market closing.

Its alternatives clearly were unpalatable. A two-tier foreign exchange system would be extremely difficult for Bonn to manage. West Germany's huge trade surplus would create inordinate pressures on the mark designated for use in commercial transactions. Moreover, the Federal Government has little experience in handling economic controls of the complexity needed to assure success of such a system. A unilateral float would fly in the face of repeated public statements and unacceptably impair the competitive position of German industry. Continued large-scale interventions in support of the dollar have already become prohibitively expensive, both financially and politically.

The exchanges presumably will remain closed until an agreement on adjusting exchange rates can be worked out. Any adjustments clearly will include appreciation of the West German mark and Japanese yen relative to the US dollar. Japanese officials have already indicated their willingness to revalue the yen in the context of an international realignment. Solutions for other trade and monetary issues are likely to require extensive negotiations, since there are major differences among not only the European Community, Japan, and the United States, but also among the EC members themselves.

SOUTH VIETNAM



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VIETNAM

Recent intercepts show that some of the more than 300 North Vietnamese tanks and armored vehicles we had noted moving through Laos in October and November are now crossing into South Vietnam and Cambodia. One message places a tank group in an area that has been used by the Communists for funneling supplies to the coastal provinces of central South Vietnam. Another intercept shows a tank group headed for the COSVN region.

In North Vietnam itself, fresh armored units are moving south in the logistic pipeline. Some of them could reach the border in the next week or so.

* * *

North Vietnamese gunners have increased shelling of South Vietnamese Paratroopers trying to eliminate a Communist salient southwest of Quang Tri City. We have intercepted North Vietnamese orders to infantry units to disrupt an anticipated government counterattack in this area.

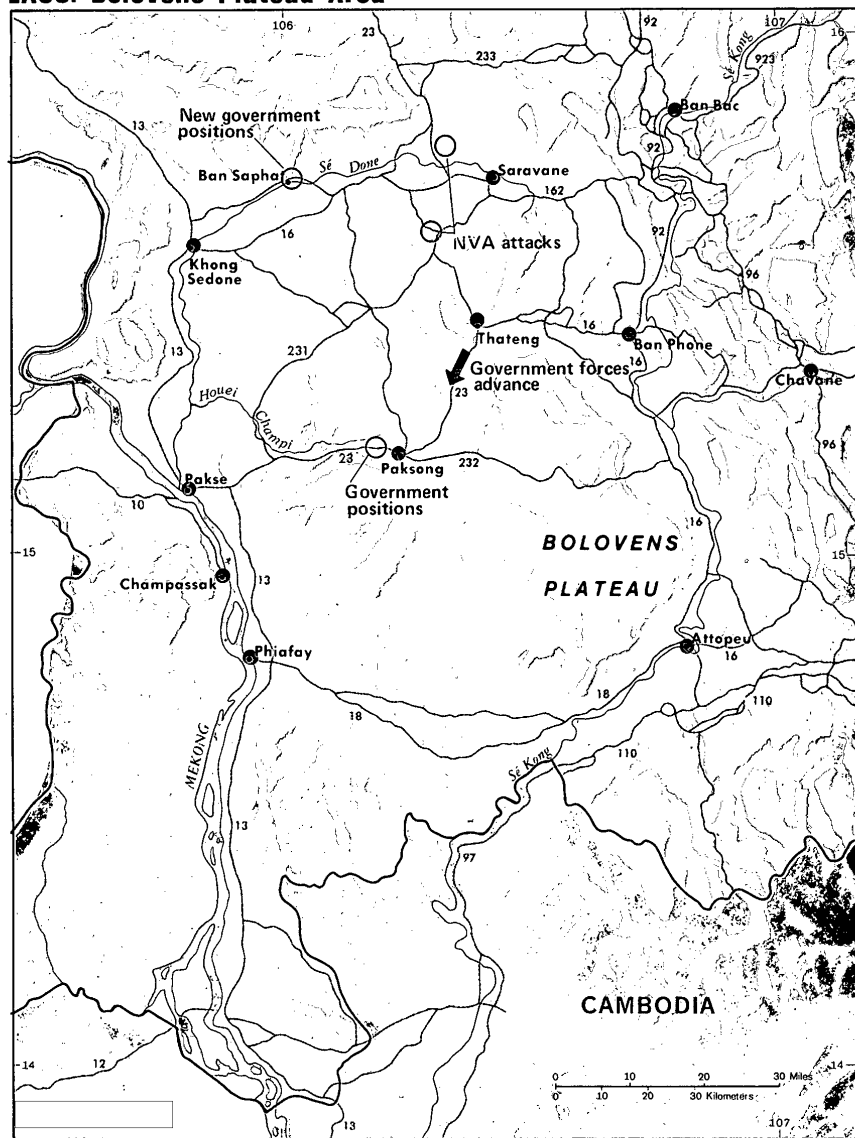
Similar orders have been issued to North Vietnamese units in the Que Son Valley. There the Communists have been attacking government positions to forestall South Vietnamese efforts to move back onto high ground overlooking the enemy-held district capital, Hiep Duc. [REDACTED]

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In southern Quang Ngai Province, government forces have made little progress toward the recapture of Sa Huynh and are stalled about five miles away. President Thieu has ordered a Ranger group to the province to fill a gap left by departing South Korean units. The Communists appear to be defending the coastal area around Sa Huynh with at least three main force regiments.

In the central highlands, the enemy has kept Route 14 closed both north and south of Pleiku. However, in the southern half of South Vietnam, all major roads and waterways are reported open.

LAOS: Bolovens Plateau Area

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- Government-held location
- Communist-held location

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LAOS

Sharp fighting continues in the south. On Saturday North Vietnamese shelling and ground attacks dispersed at least five of the eight dispirited irregular battalions west of Saravane. Most of these units are now attempting to regroup in new positions about 15 miles east of Khong Sedone in order to block a possible North Vietnamese effort to add to Communist holdings in the Se Done Valley before a cease-fire.

To the south, the Communists are concentrating on mopping up the remaining government positions around Paksong. Government commanders are taking advantage of the lull to reassemble some of their battered forces along Route 23, about five miles west of the town. Meanwhile, a 1,400-man irregular force is pushing slowly toward Paksong from Thateng.

The movement of these irregulars may forestall efforts by the North Vietnamese to eliminate the government's foothold on the western Bolovens.

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MBFR

On Saturday, the Soviet delegation to the preparatory talks on Mutual and Balanced Force Reductions stated as a "final" position that either Hungary should be excluded from direct participation in the negotiations or that Italy and Hungary should participate together. Chief Soviet delegate Khlestov noted that the Hungarian problem could have been avoided if the West had accepted Moscow's earlier proposal that all delegations have equal status when the talks begin.

NATO powers originally considered Hungary a full participant and thought they had Budapest's consent for this status. Subsequently, however, Soviet delegates announced that Hungary wished to be an observer. Italy does not wish to be a full participant.

One effect of the Soviet position could be to slow the talks. The Soviets are aware that the Benelux states tend to link their participation with that of Hungary, and that most NATO powers support Italy's wish. Moscow appears to be angling toward a quid pro quo that would include ultimate discussion of its forces in Hungary in return for discussion of US forces in Italy, and perhaps Spain. Whether intended or not, the question of Hungarian participation has driven Romania from center stage and puts the matter of Bucharest's full participation further in doubt.

A Romanian diplomat has reported that Foreign Minister Macovescu is saying that Romania has been duped by the US and that the superpowers have secretly agreed to prevent Romania's full participation in MBFR. The diplomat said these views appeared to be shared by officials at higher levels in Bucharest. The source added, however, that if all else fails, Romania is prepared to accept observer status.

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URUGUAY

President Bordaberry, having lost his battle to keep the military out of politics, now seems ready to resign. Bordaberry accepted the military's demand that they be allowed to name the new ministers of defense and interior. He apparently is having difficulty stomaching the rebellious generals' demands for policy changes. The most important of these are for land reform, an end to official corruption, and measures to stabilize the deteriorating economy.

If Bordaberry accedes to the policy demands of the dissident army and air force officers, he would be president in name only. His only bargaining chip seems to be that the military are anxious to preserve constitutional forms and for this purpose they might rather have him retain his nominal post.

Should Bordaberry resign, the vice-president or a civilian member of congress would be in the constitutional line of succession. Whoever takes office, however, would almost certainly be a creature of the generals, prepared to be responsive to their demands for change.

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NOTE

USSR-Egypt: The talks in Moscow between President Sadat's security adviser Hafiz Ismail and Soviet leaders from 6-10 February apparently focused on achieving common understandings prior to any re-examination of the Middle East issue. Although the Soviets have offered no new initiatives, they assume that new efforts will be made toward a settlement in the next few months and apparently want to reassert their position as guardian of Arab interests in advance of such efforts. Both sides appeared to consider the talks as a significant step in working out a new relationship following the Egyptian expulsion of Soviet military advisers last year.

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